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ABSTRACT

This curriculum guide is designed for teachers of marketing education to provide junior and senior students with information and procedures useful in beginning small businesses (entrepreneurship). The guide contains basic information and activities that can be used by the teacher to teach a 2- to 3-week unit. The length of the unit will be determined by the depth of any business plans required. The instructional unit includes (1) Introduction; (2) Competencies; (3) General Performance Objectives; (4) Specific Performance Objectives; (5) Methodology; (6) Suggested Interest Approaches; (7) Unit Outline; (8) Specific Performance Objectives and Learning Activities; (9) Reference Material; (10) Appendices; (11) Sample Entrepreneurship Test; and (12) Bibliography. (NLL)

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CURRICULUM DEVELOPMENT

1987

Office of Vocational Education

Bulletin 1815

LOUISIANA DEPARTMENT OF EDUCATION

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LOUISIANA STATE DEPARTMENT OF EDUCATION

BULLETIN 1815

ENTREPRENEURSHIP

Issued by

OFFICE OF VOCATIONAL EDUCATION

Office of Vocational Education

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COURSE DESCRIPTION

The entrepreneurship curriculum guide developed for Louisiana Marketing Education is designed to provide information and procedures useful in preparing students for beginning small businesses.

The guide contains basic information and activities that can be used by the teacher to teach a 2-3 week unit. The length of the unit will be determined by the depth of any business plans required. This unit should be used with junior and senior students as one part of the overall marketing curriculum.

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RATIONALE

The success of America has been dependent upon our ability to show initiative, work hard, and our willingness to take risks. Small businesses have grown to large businesses through the principles of entrepreneurship. Students have learned in other marketing units many of the skills useful in business. This unit will be useful in pulling together the skills already learned. The activities suggested will provide realistic opportunities for students to get involved with the process necessary to begin a new enterprise. Marketing teachers may use this unit for an indepth unit in preparing a business plan.

INTRODUCTION

An entrepreneur is someone who devises a plan to accomplish a business objective. That person then becomes a risk taker in the private enterprise system. The right to own property and profit from that property is the motivating factor over the thousands of new businesses being formed annually. Perserverance, experience, and optimism are just some of the ingredients necessary for success in an entrepreneurial endeavor.

The broad purpose of this curriculum guide is to present the student with a solid foundation about what entrepreneurship is, how it operates, and how it is managed.

COMPETENCIES

The following is a list of competencies students will develop through the usage of this curriculum guide:

1. Ability to use oral and written communication skills
2. General knowledge of business and industry
3. Understanding the basic steps in starting a small business
4. Ability to interpret financial statements
5. Ability to self-evaluate personal skills, knowledge abilities, and willingness to take risks
6. Knowledge of components of gross and net profits
7. Knowledge of customer needs
8. Knowledge of accounts receivable and accounts payable
9. Knowledge of human relations skills

GENERAL PERFORMANCE OBJECTIVES

1. Aid students in acquiring a vocabulary of business terms
2. Provide students with an understanding of the many activities, problems, and decisions involved in operating a business successfully
3. Give students an appreciation of the importance of business in in our economy
4. Assist students in selecting entrepreneurial opportunities
5. Provide students with facts, procedures, and concepts that will aid them in becoming effective members of the business community

SPECIFIC PERFORMANCE OBJECTIVES

1. *On a written test, students will be able to define entrepreneurship with at least 75 percent accuracy.*

2. *On a written test, students will be able to list and recognize with at least 75 percent accuracy the personal qualities and skills needed to be a successful entrepreneur.*

3. *On a written test, students will be able to list the advantages of owning one's own business with at least 75 percent accuracy.*

4. *On a written test, students will be able to list the disadvantages of owning one's own business with at least 75 percent accuracy.*

5. *On a written test, students will be able to identify with a least 75 percent accuracy the various types of business ownerships.*

6. *On a written test, students will be able to list with at least 75 percent accuracy the advantages and disadvantages of a sole proprietorship.*

7. *On a written test, students will be able to list with at least 75 percent accuracy the advantages and disadvantages of a partnership.*

8. *On a written test, students will be able to list with at least 75 percent accuracy the advantages and disadvantages of a corporation.*

9. *On a written test, students will be able to identify important marketing items and the importance of studying consumer behavior with at least 75 percent accuracy.*

10. *On a written test, students will be able to identify important marketing terms and the importance of studyiung consumer behavior with at least 75 percent accuracy.*

11. *On a written test, students will be able to identify important considerations in selecting an appropriate location with 100 percent accuracy.*

12. *In class, students will be able to identify steps in marketing strategy with 100 percent accuracy.*

13. *On a written test, students will be able to list with 75 percent accuracy the different costs that must be considered when starting a new business.*

14. *Given an assignment in class, students will be able to explain with 100 percent accuracy the major methods of financing a new business.*

15. *On a written test, students will be able to list the financial statements and ratios that should be included in a business plan with 100 percent accuracy.*

16. *Given an assignment in class, students will be able to define a business plan.*

METHODOLOGY

This unit has been developed to present the student with a solid foundation about entrepreneurship, how it operates, and how it is managed. Through the use of this curriculum guide, resource materials, guest speakers, and activities, students will understand how to become contributing members to their business community.

SUGGESTED INTEREST APPROACHES

1. Teacher-led discussion of concepts.
2. Use of newspaper and magazine articles related to business for current event discussion.
3. View films and filmstrips.
4. Prepare bulletin boards to emphasize information covered.
5. Utilize guest speakers familiar with the principles of entrepreneurship.
6. Use simulations for incorporation of individualized instruction into unit.
7. Have students complete crossword puzzle.

UNIT OUTLINE

I. Nature of Entrepreneurship

- A. Define entrepreneurship
- B. Recognize the personal qualities and skills
- C. Advantages of owning your business
- D. Disadvantages of owning your business

II. Business Ownership

- A. Types of business ownership
- B. Sole proprietorship
- C. Partnerships
- D. Corporations

III. Marketing

- A. Marketing concept
- B. Marketing terms
- C. Selecting a location
- D. Steps in a marketing strategy

IV. Financing

- A. Start-up costs
- B. Methods of financing
- C. Financial statements

V. Developing a Business Plan

- A. Definition of terms
- B. Parts of a plan

SPECIFIC PERFORMANCE OBJECTIVES AND LEARNING ACTIVITIES

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1. *On a written test, students will be able to define entrepreneurship with at least 75 percent accuracy.*

Subject Matter Content	*Learning Activities*
Definition	1. *Complete a handout by defining terms as required by teacher.* 2. *View filmstrips explaining terms.*

---

2. *On a written test, students will be able to list and recognize with at least 75 percent accuracy the personal qualities and skills needed to be a successful entrepeneur.*

Subject Matter Content	*Learning Activities*
Personal qualities and skills	1. *Complete handout as required by teacher. (Appendix A)* 2. *Read and discuss handout.* 3. *Complete self-analysis. (Appendix B)* 4. *Write an essay on personal qualities required of an entrepreneur. (Appendix C)*

---

3. *On a written test, students will be able to list the advantages of owning one's own business with at least 75 percent accuracy.*

Subject Matter Content	*Learning Activities*
Advantages of owning	1. *Discuss in small groups the advantages of owning one's own business.* 2. *Invite local business owner to discuss small business ownership.*

4. *On a written test, students will be able to list the disadvantages of owning one's own business with at least 75 percent accuracy.*

Subject Matter Content	*Learning Activities*
Disadvantages	1. *Discuss in small groups the disadvantages of owning one's own business.* 2. *Invite local business owner to discuss small business ownership.*

5. *On a written test, students will be able to identify with at least 75 percent accuracy the various types of business ownership.*

Subject Matter Content	*Learning Activities*
Types of Ownership	1. *View transparencies that depict various types of businesses.* 2. *Visit various types of businesses within community.* 3. *Prepare a bulletin board representing various types of businesses.* 4. *Read and discuss handout depicting characteristics of business ownerships. (Appendix D)*

6. *On a written test, students will be able to list with at least 75 percent accuracy the advantages and disadvantages of a sole proprietorship.*

Subject Matter Content	*Learning Activities*
Sole Proprietorship	1. *Describe several features of a sole proprietorship.* 2. *List advantages and disadvantages of sole proprietorships.* 3. *List sole proprietorships in community.* 4. *Invite guest speaker from a sole proprietorship to discuss proprietorship.*

5. *Prepare a slide presentation showing sole proprietorships within the community.*

---

7. *On a written test, students will be able to list with at least 75 percent accuracy the advantages and disadvantages of a partnership.*

Subject Matter Content	*Learning Activities*
Partnership	1. *Describe several features of a partnership.* 2. *List advantages and disadvantages of partnerships.* 3. *List partnerships in the community.* 4. *Invite guest speakers from partnerships.* 5. *Prepare a slide presentation showing partnerships within the community.* 6. *Videotape various partnerships.*

---

8. *On a written test, students will be able to list with at least 75 percent accuracy the advantages and disadvantages of the corporation.*

Subject Matter Content	*Learning Activities*
Corporation	1. *Describe several features of a corporation.* 2. *List advantages and disadvantages of a corporation.* 3. *List corporations in a community.* 4. *Invite a guest speaker from a corporation.* 5. *Prepare a slide presentation showing corporations within the community.* 6. *Develop a videotape of various local corporations.* 7. *Complete a worksheet which contains a corporation case study. (Appendix E)*

8. *Complete a handout on your area's business community. (Appendix F)*

---

9. *Students will be able to explain the marketing concept as a management philosophy with 100 percent accuracy.*

Subject Matter Content	*Learning Activities*
Management as a philosophy	1. *View videotape illustrating philosophy of management concepts.* 2. *Listen to guest speaker explain management philosophies.* 3. *Visit a local management firm.*

---

10. *On a written test, students will be able to identify important marketing terms and the importance of studying consumer behavior with at least 75 percent accuracy.*

Subject Matter Content	*Learning Activities*
Consumer Behavior	1. *Conduct a marketing survey of a local business concerning consumer buying patterns.* 2. *Discuss in class different buying behaviors.* 3. *Write a paragraph evaluating current trends in buying patterns.* 4. *Complete a handout on target markets and demographic information. (Appendix G)*

---

11. *On a written test, students will be able to identify important considerations in selecting a location with 100 percent accuracy.*

Subject Matter Content	*Learning Activities*
Site selection	1. *Make a list of possible new business locations.* 2. *Discuss local zoning and building ordinances.*

3. *Invite a guest speaker from the local merchants association or Chamber of Commerce.*

4. *Conduct a marketing research project to determine area traffic patterns.*

5. *Discuss site selection criteria and questions concerning local businesses. (Appendix H)*

---

12. *Students will be able to identify steps in marketing strategy with 100 percent accuracy.*

Subject Matter Content	*Learning Activities*
Marketing strategy	1. *Prepare a bulletin board identifying different target markets.* 2. *Describe different pricing techniques.* 3. *Prepare a list of customer services and discuss.* 4. *Prepare a sales presentation.* 5. *Identify advertising media.* 6. *View a videotape depicting different types of sales promotion.*

---

13. *On a written test, students will be able to list with 75 percent accuracy the different costs that must be considered when starting a new business.*

Subject Matter Content	*Learning Activities*
Start-up costs	1. *List and discuss the different costs of starting a new business.* 2. *List and discuss recurring costs.*

---

14. *Given an assignment in class, students will be able to explain with 100 percent accuracy the major methods of financing a new business.*

Subject Matter Content	Learning Activities
Financing	1. Invite a guest speaker from a local bank to discuss methods of financing. 2. Prepare classroom reports on major methods of financing, using the classroom handout as a source. (Appendix I) 3. Discuss handout on uses of funds and money sources. (Appendix J and K)

15. On a written test students will be able to list the financial statements and ratios that should be included in a business plan with 100 percent accuracy.

Subject Matter Content	Learning Activities
Financial statements	1. Complete crossword puzzle. (Appendix L) 2. Prepare a list of financial statements. 3. Discuss preparation of time line schedules. 4. Discuss the parts of a business balance sheet. (Appendix M) 5. Discuss the parts of an income statement. (Appendix N)

16. Given an assignment in class, students will be able to define a business plan.

Subject Matter Content	Learning Activities
Business plan	1. List and discuss parts of a business plan. 2. Complete handouts and discuss your own capital needs. (Appendix O) 3. Complete handout and forecast your own income statement. (Appendix P)

NATURE OF ENTREPRENEURHSHIP

1. Define entrepreneurship:

   An entrepreneur is a risk taker in their type of economic system. Profits are the rewards for a successful entrepreneur.

2. Recognize the personal qualities and skills needed to be a successful entrepreneur:

   Drive, thinking ability, communications ability, human relations ability, and technical knowledge are some of the qualities needed to be successful in business.

3. List the advantages of owning one's own business:

   Pride, financial rewards, and freedom to be one's own boss are advantages of owning one's own business.

4. List the disadvantages of owning one's own business:

   Responsibility for all business decisions, long hours, and possibility of a financial loss are disadvantages of owning one's own business.

BUSINESS OWNERSHIP

1. Identify the various types of business ownership:

   a. A sole proprietorship is a business that is owned by only one person. It is sometimes referred to simply as a proprietorship.

   b. A partnership is a business enterprise owned by two or more persons.

   c. A corporation is an enterprise that has legal rights, duties, and powers of a person.

2. List the advantages and disadvantages of a sole proprietorship:

   a. advantages

      (1) owner gets all the profits
      (2) easy to establish
      (3) complete control
      (4) tax benefits

   b. disadvantages

      (1) unlimited liability
      (2) limited life
      (3) difficulty in obtaining capital
      (4) management deficiencies

3. List the advantages and disadvantages of a partnership.

   a. advantages

      (1) ease of formation
      (2) complimentary management skills
      (3) expanded financial capacity

   b. disadvantages

      (1) unlimited financial liability
      (2) interpersonal conflicts
      (3) lack of continuity
      (4) complex dissolution

4. List the advantages and disadvantages of the corporation.

   a. advantages

      (1) limited financial liability
      (2) specialized management skills
      (3) expanded financial capacity
      (4) economies of large scale operation

   b. disadvantages

      (1) difficulty and costly ownership form to establish and dissolve
      (2) tax disadvantage
      (3) legal restrictions
      (4) alienation of some exployees

MARKETING

1. Explain the marketing concept as a management philosophy:

   The marketing concept is an organization-wide consumer orientation with the objective of achieving long-run success.

2. Identify important marketing terms and the importance of studying behavior:

   a. The study of consumer behavior is crucial to the overall success of a firm.

   b. Target market is a group of consumers toward which an organization directs its marketing efforts.

   c. The marketing mix is the proper blending of a firm's products, pricing, distribution and promotional strategies.

   d. Marketing research is gathering information concerning consumer buying habits.

3. *Identify important consideration in selecting a location:*

   a. *business compatibility*
   b. *merchants association*
   c. *responsiveness of the landlord*
   d. *zoning and planning*
   e. *leases*
   f. *traffic patterns*
   g. *major changes in shopping habits or business location in the years ahead*

4. *Identify steps in marketing strategy:*

   a. *target market*
   b. *pricing*
   c. *customer services*
   d. *personal selling*
   e. *advertising*
   f. *sales promotion*

FINANCING

1. *List the diferent costs that must be considered when starting a new business*

   a. *start up costs*

      (1) *equipment, machinery, fixtures*
      (2) *installation charges*
      (3) *decorating and remodeling costs*
      (4) *beginning inventory or raw materials*
      (5) *deposits for utilities*
      (6) *fees for accountants and lawyers*
      (7) *advertising and sales promotions for the grand opening*

   b. *recurring costs*

      (1) *salaries for management*
      (2) *wages for employees*
      (3) *rent*
      (4) *advertising*
      (5) *supplies and materials*
      (6) *utilities*
      (7) *insurance*
      (8) *taxes*
      (9) *long term debt*
      (10) *repairs and maintenance*

   c. *Major methods of financing for a new business*

      (1) *savings*
      (2) *loans from banks and other institutions*
      (3) *loans from family*
      (4) *credit from supplier*

(5) loans from friends
(6) loans from previous owners
(7) loans from insurance policies

2. List the financial statements and ratios that should be included in a business plan.

a. balance sheet
b. income statement
c. estimated cash forecast for one year
d. break even point - total fixed cost

DEVELOPING A BUSINESS PLAN

1. Define a business plan.

A business plan allocates resources and measures your actions, helping one set realistic goals and make logical decisions.

2. List and discuss the parts of a business plan.

a. Prepare complete financial statement
b. Determine sales potential for the chosen market
c. Determine methods for attracting customers
(1) image
(2) pricing
(3) customer service policies
(4) advertising
d. Determine supplies
e. Identify stock levels necessary and potential stockturn
f. List start-up costs
g. Develop budget for first year

As you study this unit, you should ask yourself, "How would this information apply to me if I decide to become an entrepreneur?"

Assume that you wish to go into business for yourself. Select the field or type of business you would like to enter. Then state the reasons why you selected this field or type. Write your answer in the space below. If more space is needed, use extra paper.

My choice for a type of business: _____

Reasons for my choice:

_____
_____
_____
_____
_____

My choice for product/service involved:

_____

Description of my choice:

_____
_____
_____
_____
_____
_____

APPENDIX B

Answer the following questions in order to complete the first self-analysis

1. *Are you the kind of person who can get a business started and make it go? Answers to the questions below should help you decide. Under each question, check the answer that says what you feel or comes closest to it. Be honest with yourself.*

Are you a self starter?

___ *I do things on my own. Nobody has to tell me to get going.*

___ *If someone gets me started, I keep going all right.*

___ *Easy does it; I don't put myself out until I have to.*

How do you feel about other people?

___ *I like people. I can get along with just about anybody.*

___ *I have plenty of friends--I don't need anyone else.*

___ *Most people bug me.*

Can you lead others?

___ *I can get most people to go along when I start something.*

___ *I can give the orders if someone tells me what we should do.*

___ *I let someone else get things moving. Then I go along if I feel like it.*

Can you take responsibility?

___ *I like to take charge of things and see them through.*

___ *I'll take over if I have to, but I'd rather let someone else be responsible.*

___ *There's always some eager person around wanting to show how smart he/she is. I say let him/her.*

How good an organizer are you?

___ *I like to have a plan before I start. I'm usually the one to get things lined up when the gang wants to do something.*

___ *I do all right unless things get too goofed up. Then I cop out.*

___ *You get all set and then something comes along and blows the whole bag. So I just take things as they come.*

APPENDIX B (cont.)

How good a worker are you?

___ I can keep going as long as I need to. I don't mind working hard for something I want.

___ I'll work hard for a while, but when I've had enough, that's it!

___ I can't see that hard work gets you anywhere.

Can you make decisions?

___ I can make up my mind in a hurry if I have to. It usually turns out O.K., too.

___ I can if I have plenty of time. If I have to make up my mind fast, I think later I should have decided the other way.

___ I don't like to be the one who has to decide things. I'd probably blow it.

Can people trust what you say?

___ You bet they can. I don't say things I don't mean.

___ I try to be on the level most of the time, but sometimes I just say what's easiest.

___ What's the sweat if the other person doesn't know the difference?

Can you stick with it?

___ If I make up my mind to do something, I don't let <u>anything</u> stop me.

___ I usually finish what I start--if it doesn't get fouled up.

___ I run out of energy sooner than most of my friends seem to.

Now count the checks you made.

How many checks are there beside the <u>first</u> answer to each question? ____

How many checks are there beside the <u>second</u> answer to each question? ____

How many checks are there beside the <u>third</u> answer to each question? ____

Adapted from U.S. Small Business Administration, <u>Checklist for Going into Business</u>, Small Marketers Aid No. 71 (Rev. ed.: Washington: US Government Printing Office, 1970), pp. 4-5.

APPENDIX C

Write an essay which includes your personal business experience, training/education in proposed field, personal business strengths and weaknesses, demonstrated willingness to take risks, and a brief plan for your personal development in proposed field. You may need to use more than one or two sheets of paper to adequately cover the information needed.

Comparison of major forms of business ownership.

Characteristic	*Sole proprietorship*	*Partnership*	*Small corporation*	*Large corporation*
Main features of ownership	One owner; no legal formalities required; unlimited liability of owner.	Usually two to four owners; formal partnership agreement; unlimited liability of general partners.	Small, closely held; any number of owners; formal charter and by-laws; limited liability of owners.	Large, with publicly traded stock; any number of owners; formal charter and bylaws; limited liability of owners.
Taxes	Personal income tax; in case of proprietor's demise, inheritance taxes must be paid by heirs, often forcing the sale of the business.	Personal income tax; inheritance tax problems similar to sole proprietorship.	Personal income taxes (some small and professional corporations can escape corporate income taxes); inheritance tax problems similar to sole proprietorship.	Corporate profit tax on earnings; personal income tax on dividends; inheritance taxes do not jeopardize business, since there are usually few large owners.
Management	Owners receive profits, have maximum incentive; employees can be motivated by bonuses related to profits; specialization of management possible only in large-sized proprietorships.	Partners have incentive in proportion to the extent of their ownership share; employees may be motivated by prospect of becoming a partner; specialization of management depends on skills and number of partners.	Owners motivated in proportion to their ownership share; employees may be motivated by partial compensation in the form of company stock; limited specialization of management.	Top management has limited personal monetary incentive; highly specialized management.

APPENDIX D (cont.)

Characteristic	Sole proprietorship	Partnership	Small corporation	Large corporation
Cost of formation and continued operation	None	Small; partnership agreement usually drawn up by attorneys; may be a minor expense to amend partnership agreement to add or eliminate partners.	Fairly small ($1000 or less for uncomplicated corporation); must pay license fees in each state in which business is transacted.	Large (tens of thousands of dollars for complex company); must pay incorporation and license fees; must provide accounting reports and other information periodically to stockholders.
Ability to secure capital from owners	Limited by personal wealth of owner and owner's ability to borrow.	Limited by total wealth of general partners, investments of limited partners, and borrowing; capital must be retained in the partnership until it is dissolved, unless the partnership agreement provides otherwise.	Limited to owners' investments and corporate borrowing; devices like transfers of wealth into the corporation and promissory notes payable to the company may enable owners to become personally liable.	Limited to owners' investments; attractive to investors because of limited liability and transferability of stock; can assimilate a large quantity of capital from many small investors.
Life of organization	Limited to life or inclinations of sole proprietor; business may be inherited or sold.	Limited to length of time partnership agreement is in force.	Similar to sole proprietorship, but there is more flexibility in sale of business because stock exists.	Can continue for generations, if the corporation remains successful; when a market for the corporation's stock exists, ownership can be transferred easily.
Flexibility	Complete	Limited by partnership agreement and desires of partners.	Limited by corporate charter and bylaws, which are usually broadly drawn or amendable; may be prevented by charter from responding to a sudden business opportunity.	Limited by corporate charter and bylaws, which are usually broadly drawn or amendable; may be prevented by charter from responding to a sudden business opportunity.
Secrecy	Complete	Limited to partners.	Generally little information is available to the public, especially if the stock is not publicly traded.	Limited; corporation must provide stockholders with various accounting data and must submit to audits.

APPENDIX E

The Neather Company was operated as a partnership for several years by three partners. In order to gain more capital for expansion, they converted to a corporation. Only friends were allowed to invest in order to make it a closed corporation. The corporation has been very successful in its operation. Profits are such that double taxation is a burden to the owners. The stockholders are thinking about reorganizing into a partnership. Questions for discussion:

1. *Why is it called a closed corporation and how did that affect the sale of stock?*

2. *What is meant by double taxation?*

3. *What advantages will they have to give up if they form a partnership?*

4. *What are the advantages of the business remaining a corporation?*

APPENDIX F

Have each student list ten (10) sole proprietorships, partnerships, and corporations in the business community.

APPENDIX G

To discover the target market, interview the owners of similar businesses and complete the target market sheet for each. Analyze the responses and with the information collected make a target market sheet for a selected business. Incorporate any new desirable markets.

Age:_____

Customer Income Level:

_____Over $40,000
_____$30,000-$39,999
_____$20,000-$29,999
_____$10,000-$19,999
_____$0-$9,999

Population Estimate:_____

Other specific demographic and economic information:

_____
_____
_____
_____
_____
_____
_____

Customer buying behavior related to proposed business:

_____
_____
_____
_____
_____
_____
_____

APPENDIX H

SITE SELECTION CRITERIA

General Questions

-Is the site centrally located?

-What is the transportation availability and what are the rates?

-What provisions can be or are made for future expansion?

-What is the topography of the site (slope and foundation)?

-What is the housing availability for workers and managers?

-What environmental factors (schools, cultural, community atmosphere) might affect my business and my employees?

-What will the quality of this site be in 5 years? 10 years? 25 years?

-What is my estimate of this site in relation to my major competitor?

-What is the newspaper circulation? Are there concentrations of circulations?

-What other media are available for advertising? How many radio and television stations are there?

-Is the quantity and quality of available labor concentrated in a given area in the city or town? If so, is commuting a way of living in that city or town?

-Is the city centrally located to my suppliers?

-What are the labor conditions, including such things as relationships with the business community and average wages and salaries paid?

-Is the local business climate healthy, or are business failures especially high in the area?

-What about tax requirements? Is there a city business tax? Income tax? What is the property tax rate? Is there a personal property tax? Are there other special taxes?

-Is the available police and fire protection adequate?

-Is the city or town basically well planned and managed in terms of such items as electric power, sewage, and paved streets and sidewalks?

Questions for Retailers

-Will the zoning laws allow me to operate a retail business at this site?

-Is there ample parking for my customers?

-Is there ample parking for my employees?

-What types of businesses surround my store site?

-Will the businesses nearest mine help bring customers into my store?

-Is there pedestrian traffic passing my door each day?

-Are the pedestrians potential customers?

Questions for Service Businesses

-Will the zoning laws allow me to operate a service business on this site?

-Do I need to pay high rent to serve my clientele?

-Will other businesses in the area naturally draw customer attention to my location?

-Does my business require parking for customers and employees?

-If yes, is the site adequate?

-Is the site convenient for me to reach my customers?

Questions for Manufacturers

-Will the zoning laws allow me to operate a manufacturing plant on this site?

-Are there loading docks already built into the building?

-Can truck or train traffic approach the building with ease?

-How close is this location to the source of raw materials?

-Is the site convenient for my customers?

-Is the site close enough to the airport?

APPENDIX I

Type of Financing	Advantages	Disadvantages
I. EQUITY FINANCING		
A. Using personal savings	1. Keep all of the profits 2. Reduce amount of debt 3. Risk of loss provides motivation to succeed 4. Shows good faith to any potential lenders	1. Chance of loss 2. May force personal sacrifices 3. Loss of return from use of savings
B. Involving friends and family	1. Easy and quick source of cash 2. Less pressure and restrictions 3. Informal arrangements	1. Risk of destroying personal relationship 2. May encourage unwanted involvement in business
C. Forming a partnership	1. Brings in more cash 2. May be able to borrow more 3. Share financial risks	1. Give up part of profits 2. Give up part of the ownership
D. Incorporating the business	1. Raise large amount of cash 2. Share financial risks 3. Reduce legal liability 4. Tax savings	1. Give up part of profits 2. Give up share of control and ownership
E. Using venture capital	1. Large amounts of money available 2. Money available for calculated risks 3. Maintain control and operation of business 4. Additional assistance usually available	1. Most small businesses don't qualify 2. Must give up part of ownership of the business
F. Working with SBICs	1. Set up specifically to help small businesses 2. Provide loans, too 3. Special assistance for minority businesses 4. Others applicable from venture capital	1. Favor expanding businesses versus starting businesses 2. Others applicable from venture capital
II. DEBT FINANCING (Includes all forms of borrowing)	1. Relatively easy and quick to obtain 2. Maintain control and ownership of the business 3. Repay at more advantageous time 4. May actually be able to save money 5. Interest and other costs are tax deductible 6. Inflation allows repayment in cheaper dollars	1. Interest costs are expensive 2. Risk that future profits will cover repayment 3. Easy to abuse and overuse 4. Must share financial and other confidential information 5. Lender may impose limitations or restrictions on borrower

Advantages and disadvantages of equity and debt financing

APPENDIX J

Use of Funds	Type of Money	Source	Financing Vehicle
Equipment or Facilities Acquisition	Long-term debt	SBIC-MESBIC	Term Loan
		Bank	Equipment loan
		Commercial finance company	Equipment leasing
			Real estate loan
		Life insurance company	Policy loan
			Unsecured loan (limited)
			Real estate loan
		Savings and loan association	Real estate loan
		Consumer finance company	Personal property term loan
		Leasing company	Equipment leasing
		Small Business Administration	Term loan guarantee
		Economic Development Administration	Direct term loan (limited)
		Local development company	Facilities/equipment financing
		Farmer's Home Administration	Term loan guarantee
Sharp, Sustained Growth	Equity	Nonprofessional investor	Partnership formation
			Stock issue
		Venture capitalist	Stock issue
			Convertible debentures
			Debt with warrants
	Long-term debt	SBIC-MESBIC	Term loan
		Bank	Unsecured term loan
			Equipment loan
			Equipment leasing
			Real estate loan
		Commercial finance company	Equipment leasing
			Real estate loan
		Life insurance company	Unsecured term loan
			Policy loan
			Real estate loan
		Savings and loan association	Real estate loan
		Consumer finance company	Personal property loan
		Leasing company	Equipment leasing
		Small Business Administration	Term loan guarantee
		Economic Development Administration	Direct term loan (limited)
		Local development company	Facilities/equipment financing
		Farmers Home Administration	Term loan guarantee
	Line of credit	Supplier	Trade credit
		Bank	Unsecured line of credit
			Accounts receivable financing
			Inventory financing
			Flooring
			Indirect collection financing
		Commercial finance company	Accounts receivable financing
			Inventory financing
			Factoring
		Factor	Factoring
		Small Business Administration	Line of credit guarantee (limited)

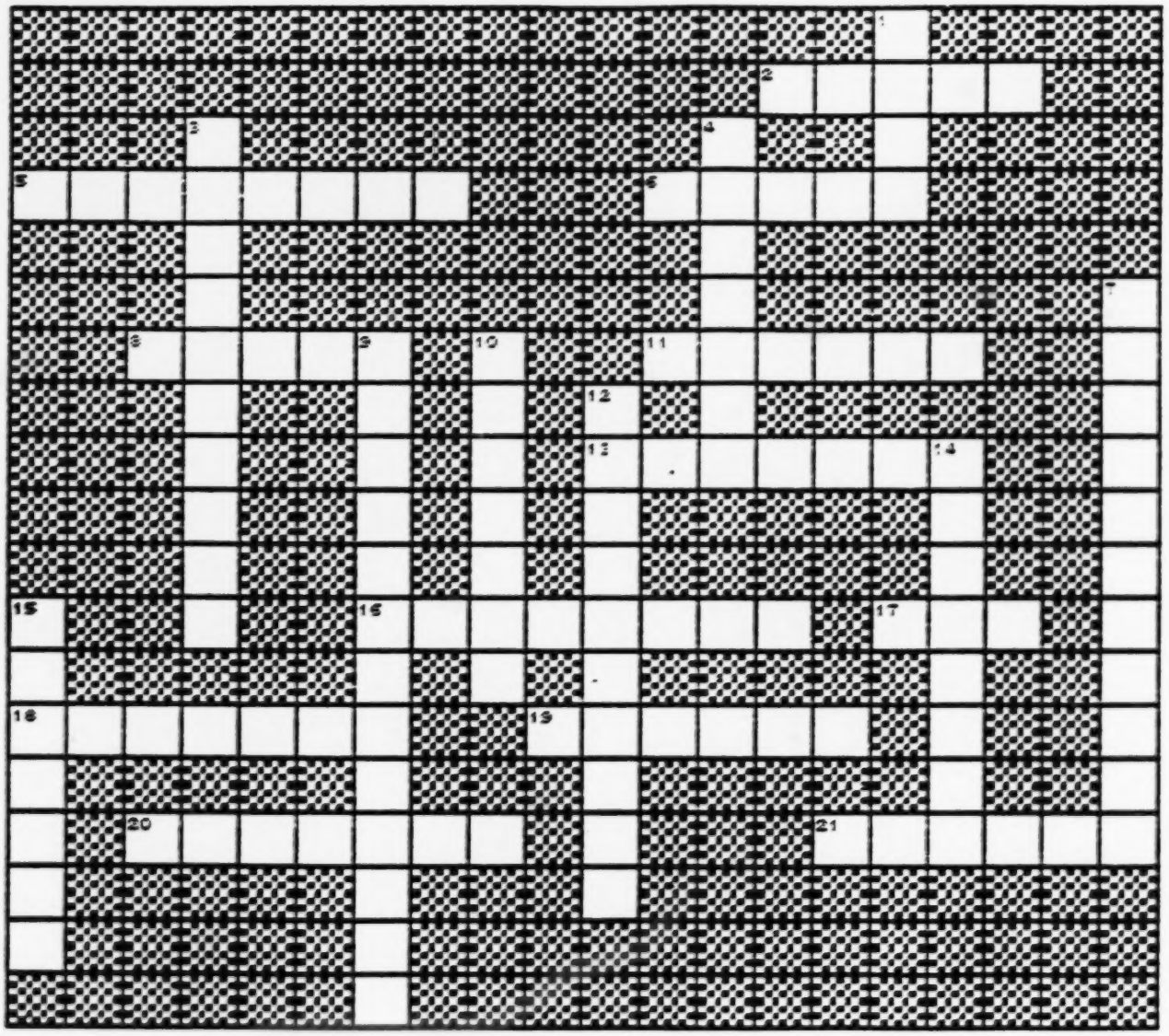
APPENDIX K

Use of Funds	Type of Money	Source	Financing Vehicle
Business	Equity	Nonprofessional investor	Partnership formation Stock issue
		Venture capitalist SBIC-MESBIC	Stock issue Convertible debentures Debt with warrants
	Long-term debt	Bank	Term Loan (limited) Unsecured term loan Equipment loan Equipment leasing Real estate loan
		SBIC-MESBIC	Term loan (limited) Unsecured term loan Equipment loan Equipment leasing
		Commercial finance company	Equipment loan Equipment leasing Real estate loan
		Life insurance company	Policy loan Real estate loan
		Savings and loan association	Real estate loan
		Leasing company	Equipment leasing
		Consumer finance company	Personal property term loan
		Small Business Administration	Term loan guarantee
		Economic Development Administration	Direct term loan (limited)
		Local development company	Facilities/equipment financing
		Farmers Home Administration	Term loan guarantee
Working Capital	Long-term debt	Bank	Unsecured term loan Equipment loan Real estate loan
		Commercial finance company	Equipment loan Real estate loan
		Life insurance company	Policy loan Real estate loan Unsecured term loan (limited)
		Savings and loan association	Real estate loan
		Consumer finance company	Personal property loan
		Small Business Administration Economic Development Administration SBIC-MESBIC	Term loan guarantee Direct term loan (limited)
		Farmers Home Administration	Term loan guarantee
Seasonal Peak	Short-term debt and Line of Credit	Supplier	Trade credit
		Bank	Commercial loan Accounts receivable financing Inventory financing Flooring Indirect collection financing Unsecured line of credit
		Commercial finance company	Accounts receivable financing Inventory financing Factoring
		Factor	Factoring
		Life insurance company	Policy loan
		Consumer finance company	Personal property loan
		Small Business Administration	Line of credit guarantee (limited)

SOURCE: Reproduced from *Financing Small Business*, Bank of America, Small Business Reporter Series, 1980, pp. 30-31.

APPENDIX L

ENTERPRISE VOCAB



APPENDIX L (cont.)

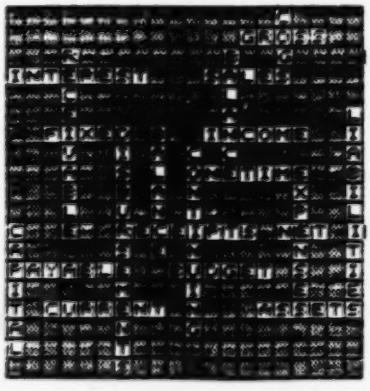
ACROSS CLUES

2. DETERMINED BY SUBTRACTING COST OF SALES FROM SALES. _?_ SALES
5. THE CHARGE PAID FOR THE USE OF BORROWED FUNDS
6. INCOME FLOWING INTO THE BUSINESS FROM SALES ACTIVITY
8. ITEMS THE BUSINESS EXPECTS TO OWN FOR MORE THAN ONE YEAR. _?_ ASSETS
11. FINANCIAL STATEMENT SHOWING HOW A BUSINESS PERFORMED OVER A CERTAIN PERIOD OF TIME. _?_ STATEMENT
13. EXPENSES THAT WILL NOT HAVE TO BE REPEATED ONCE THE BUSINESS IS UNDERWAY. _?_ COSTS
16. FUNDS RECEIVED FROM CASH SALES. CASH _?_
17. THE INCOME REMAINING AFTER PAYING ALL EXPENSES, INCLUDING TAXES. _?_ PROFIT
18. AMOUNTS OF MONEY OWED TO SUPPLIER FOR GOODS AND SERVICES PURCHASED. ACCOUNTS _?_
19. A MEASURE OF CHANGES IN THE CASH AN ENTERPRISE WILL HAVE AVAILABLE FROM MONTH TO MONTH. CASH _?_
20. DEBTS THAT ARE DUE TO BE PAID IN ONE YEAR OR LESS. _?_ LIABILITIES
21. ITEMS OR POSSESSIONS USED IN THE BUSINESS AND WHICH HAVE MONETARY VALUE.

DOWN CLUES

1. REPRESENTS WHAT IS PAID FOR PRODUCTS THAT ARE SOLD. (ABBREVIATION)
3. SUMS OF MONEY OWED TO THE ENTERPRISE BY CUSTOMERS. ACCOUNTS _?_
4. FINANCIAL STATEMENT SHOWING WHAT IS OWNED, WHAT IS OWED, & WHAT THE OWNER INVESTED. _?_ SHEET
7. DEBTS OF THE ENTERPRISE.
9. CASH PAID OUT FOR PURCHASES AND OPERATING OR CONTINUING EXPENSES.
10. THE TOTAL OF CASH ON HAND IN THE BANK.
12. EXPENSES THAT MUST BE PAID THROUGHOUT THE LIFE OF THE ENTERPRISE.
14. ALL THE COSTS OF RUNNING AN ENTERPRISE OTHER THAN THE COST OF SALES.
15. DIFFERENCE BETWEEN VALUE OF ASSETS AND THE VALUE OF THE LIABILITIES

ANSWERS: ENTERPRISE VOCAB



APPENDIX M

_____, 19__

ASSETS

Current Assets:		
Cash	$_____	
Inventory	_____	
Accounts Receivable	_____	
Total Current Assets		$_____
Fixed Assets:		
Land	$_____	
Building	_____	
Equipment	_____	
Total Fixed Assets		_____
Intangible Assets:		
Goodwill	$_____	
Other Intangible Assets	_____	
Total Intangible Assets		_____
Total Assets		$_____

LIABILITIES

Current Liabilities:		
Accounts Payable	$_____	
Notes Payable	_____	
Accrued Expenses	_____	
Total Current Liabilities		$_____
Fixed Liabilities:		
Long-term Loan	$_____	
Mortgage	_____	
Total Fixed Liabilities		_____
Total Liabilities		$_____

CAPITAL

Owner's Capital		_____
Total Liabilities and Capital		$_____

APPENDIX N

For Year Ended _____, 19—

Sales		$_____
Cost of Sales		_____
Gross Profit		$_____
Expenses		
Wages and Salaries	$_____	
Rent	_____	
Advertising and Sales Promotion	_____	
Delivery Expenses	_____	
Supplies and Materials	_____	
Utilities	_____	
Insurance	_____	
Taxes (but not federal income tax)	_____	
Interest on Debt	_____	
Repairs and Maintenance	_____	
Fees for Accountants and Lawyers	_____	
Employee Training Costs	_____	
Other Expenses	_____	
Total Expenses		_____
Net Profit (before income tax)		$_____

APPENDIX O

Write a summary of plans to meet capital needs. Include:

1. *Personal Resources (earnings, short-term and long-term borrowers, long-term equity)*
2. *External Sources (short-term and long-term borrowing, long-term equity, if applicable)*
3. *Repayment Plans (plan to repay borrowed funds, or provide return on investment to equity funds)*

APPENDIX P

Forecasting one's own income statements. Do not be influenced by industry figures. Estimates must be as accurate as possible or else a false impression will be made.

*1. What is the normal markup in this line of business, i.e., the dollar difference between the cost of goods sold and sales, expressed as a percentage of sales?*_____

*2. What is the average cost of goods sold, percentage or sales?*_____

*3. What is the average inventory turnover, i.e., the number of times the average inventory is sold each year?*_____

*4. What is the average gross profit as a percentage of sales?*_____

*5. What are the average expenses as a percentage of sales?*_____

*6. What is the average net profit as a percentage of sales?*_____

*7. Take the preceding figures and work backwards using a standard income statement format and determine the level of sales necessary to support your desired income level*_____

*8. From an objective, practical standpoint, is the level of sales, expenses and profit attainable?*_____

S A M P L E
ENTREPRENEURSHIP
TEST

Matching: Match the Words or Terms Listed Below with the Definitions Given

E. Corporation	I. Equity Financing	J. Liabilities
S. Sole Proprietorship	G. Debit Financing	F. Capital
P. Partnership	L. Long Term Debt	B. Breakeven Point
D. Charter	R. Short Term Debt	O. Notes Payable
T. Target Market	K. Line of Credit	Q. Sales
H. Entrepreneur	A. Assets	N. Net Profit
C. Business Plan		M. Markup

____ 1. An enterprise that has the legal rights, duties and powers of a person.

____ 2. An enterprise that is owned by only one person.

____ 3. An enterprise owned by two or more persons.

____ 4. Official document giving power to run a corporation.

____ 5. Directing the flow of a market toward a particular segment.

____ 6. One who owns a business and accepts the risk of ownership.

____ 7. A written description of every part of a new enterprise.

____ 8. Using personal savings and venture capital.

____ 9. Financing that included all forms of borrowing.

____ 10. Financing for a period of years.

____ 11. An obligation that is paid off within a period of a year.

____ 12. Prearranged approval for financing.

____ 13. Items or possessions in the business which have monetary value.

____ 14. Debts of the enterprise.

____ 15. The difference between the value of the assets and the value of the liabilities.

____ 16. The point at which income equals both fixed and variable expenses.

____ 17. Short-term loans that have to be repaid within a year.

____ 18. All income that flows into a business from selling.

____ 19. Income remaining after paying all expenses.

____ 20. The amount added to the cost.

S A M P L E
ENTREPRENEURSHIP
TEST
(cont.)

DISCUSSION:

1. Discuss the advantages and disadvantages of owning one's own business.

2. List and explain three advantages and three disadvantages of each type of business ownership.

3. Discuss the steps in developing a marketing strategy for a men's clothing store.

4. Develop a simple income statement and balance sheet for a typical small clothing store.

5. List and discuss five parts of a business plan.

ANSWER KEY TO MARCHING:

1.	E	8.	I	15.	F
2.	S	9.	G	16.	B
3.	P	10.	L	17.	O
4.	D	11.	R	18.	Q
5.	T	12.	K	19.	N
6.	H	13.	A	20.	M
7.	C	14.	J		

Discussion answers may vary according to material covered.

LIST OF RESOURCES:

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STUDENT RESOURCE AND ACTIVITY MANUAL, 4TH ED., 1984. H. I. Goldman, Richard D. Irwin, Inc. Publishing Co.

FACILITY RESOURCES:

Center for Entrepreneurship and Small Business Management
Box 147, Witchita State University
Witchita, KA 67208

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